

Clean Hands Certification Equity Amendment Act of 2021, Bill 24-237

**The Committee on Business and Economic Development
The Honorable Kenyan McDuffie, Chairman**

April 18, 2022, 9:00 a.m.

Virtual Meeting Platform



**Comments by
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Deputy Chief Financial Officer
Office of Tax and Revenue**

**Fitzroy Lee, Acting Chief Financial Officer
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Thank you for the opportunity to provide comments on behalf of the Office of Tax and Revenue (OTR) on Bill 24-237, the “Clean Hands Certification Equity Amendment Act of 2021.”

This legislation seeks, in part, to change the District’s Clean Hands certification requirements and increase the minimum debt allowed to obtain a Clean Hands certificate. D.C. Official Code § 47-2862(a) provides that the District government will not issue or reissue a license or permit if the applicant for the license or permit owes the District certain amounts, including more than \$100 in past due taxes or more than \$100 in outstanding fines, penalties, or interest, or has failed to file required District tax returns. The legislation would increase these amounts from \$100 to \$5,000. The legislation would also decrease the fine for falsifying a Clean Hands certificate from \$1,000 to \$300 per certificate.

The Clean Hands certificate program has proven a highly effective tool for collecting a variety of debts owed to the District, including tax debts. OTR is concerned that this proposed change in threshold could have several negative effects. This policy change could lead to an overall decrease in tax compliance as District taxpayers will be incentivized to only pay amounts necessary to go below the \$5,000 threshold to make them eligible for a Clean Hands certificate. Such a change could not only affect tax revenue but lead to increased time and administrative costs to

OTR as debts below the \$5,000 threshold will become more difficult to collect. Moreover, the \$5,000 threshold will likely increase the amount of penalty and compounding interest taxpayers will be assessed for non-payment and could create greater amounts of debt for non-compliant taxpayers.

Given the significant impacts that this change could have on taxpayers, tax compliance and tax revenue, OTR recommends that this issue be reviewed and addressed by the Tax Revision Commission, which was reestablished by the Tax Revision Commission Reestablishment Amendment Act of 2019, effective March 16, 2021 (D.C. Law 23-200; 68 DCR 120).

Thank you for the opportunity to comment.